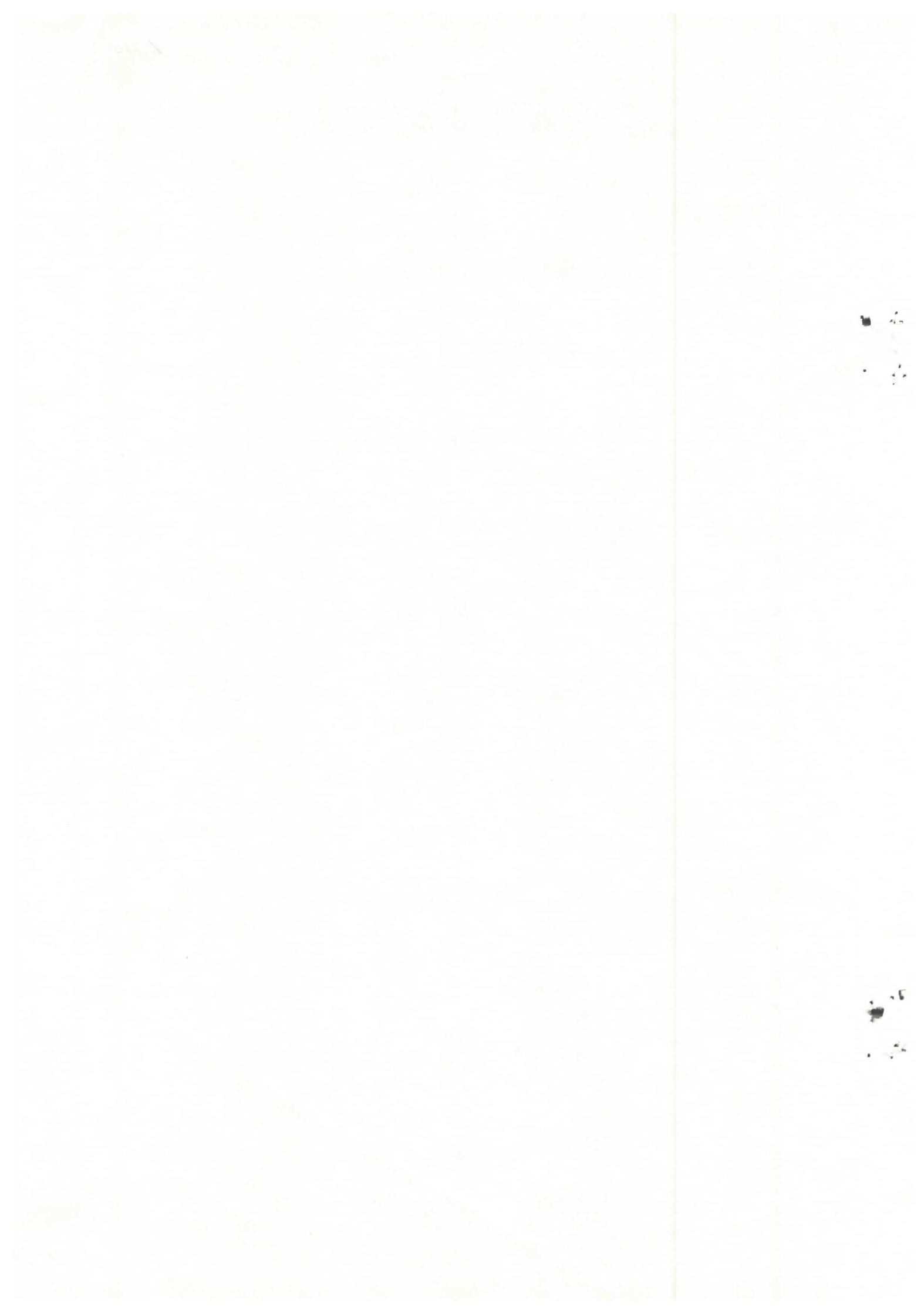


EUROPEAN PARLIAMENT

BRIEFING SESSIONS ON DIRECT ELECTIONS

BRIEFING NOTE NO. 15

ENLARGEMENT OF THE COMMUNITY



ENLARGEMENT OF THE COMMUNITY

Since the enlargement of the EEC in 1973 with the accession of Denmark, Ireland and the United Kingdom, a number of significant political developments have taken place in Europe. The Portuguese dictatorship fell in April 1974 and that paved the way for the establishment of democracy; in July of the same year, the Colonels' regime fell in Greece and democracy was restored; while in Spain, following the death of General Franco at the end of 1975, a process of democratisation commenced which has continued to grow.

These developments have made it possible for these three countries to consider membership of the European Community as a serious possibility in the not too distant future.

Let us take them one by one.

1. Greece

As far back as 1962, Greece had concluded an Association Agreement with the EEC. This was the first and most wide-ranging contractual arrangement of its kind concluded by the Community. It covered not only trade policy but a whole series of steps that were to be undertaken to ensure the progressive integration of Greece into the Community. In particular, the Agreement was aimed at preparing for eventual full membership.

Many of the provisions of the Agreement, which was intended to be fully implemented by 1984, have hardly begun to be applied at all because all progress on many provisions was frozen during the dictatorship of the colonels in the period 1967-74.

Considerable progress has, however, been made in regard to the establishment of a customs union. Since 1 November 1974 practically all Greek exports to the Community enter free of duty. Greek agricultural exports are governed by a special series of arrangements and are subject in some cases to import levies and compensatory taxes. On the other hand, about two-thirds of Community exports to Greece are free of duty, the remaining third being governed by a timetable leading to customs union in 1984 by progressive stages.

The Agreement envisages harmonisation of the agricultural policies of Greece and the Community. This harmonisation, on which progress was stopped in 1967, is due to be completed by 1 November 1984. This will

entail the adoption by Greece of the full provisions of the CAP and, in particular, the EEC system of price guarantees, intervention levels, and export restitutions.

The Agreement included a Financial Protocol under which the Community granted loans totalling \$125m. to Greece in the period from 1963 to 1975. A new Financial Protocol was signed in February 1977 under which Greece will receive 280m. European units of account during the period up to October 1981. This sum comprises 235m. EUA in the form of loans, and grants worth 45m. EUA.

Without waiting for the full implementation of the Association Agreement, Greece applied for membership in June 1975. The Commission, in examining this application, recommended that before Greece undertook the obligation of membership, even subject to transitional arrangements, a period should elapse before accession during which the EEC could help Greece through the operation of the Agriculture, Social and Regional Funds. This suggestion was rejected by the Council of Ministers in February 1976 and negotiations for Greek membership opened in July of that year. These negotiations are still in progress.

2. Portugal

In 1972 the EEC concluded a free trade agreement with Portugal. This was one of a series of bilateral agreements with member countries of EFTA not acceding to the European Community. It provided for the progressive establishment of free trade in industrial goods by 1978. The timetable for dismantling tariff barriers was extended until 1985 in some cases to allow Portuguese industry time to adapt. The Community also granted a number of concessions for imports of agricultural and fishery products.

Following the fall of the dictatorship in 1974, Portugal surmounted many difficulties and has succeeded in establishing democratic institutions.

The EEC showed its willingness to contribute to Portugal's economic recovery by granting her emergency aid of 180 m. EUA in October 1975. This aid was intended to cover 1976 and 1977. Moreover, in 1976 trade arrangements under the 1972 Agreement were improved for imports from Portugal of industrial products such as textiles and agricultural goods such as wine. The provisions of the Agreement were also extended to

cover industrial, social and financial cooperation. At the same time a separate financial agreement provided that loans amounting to 200m. EUA would be granted by the European Investment Bank during a five year period commencing in 1978.

The Prime Minister of Portugal, Mr Soares, submitted Portugal's application for accession to the Community in March 1977. He has stated that negotiations could start in 1978, possibly leading to membership by the late 1980's.

3. Spain

A preferential trade agreement between the EEC and Spain came into effect in October 1970. Its purpose was to eliminate most obstacles to trade between the two parties in two stages.

The first stage covered a period of six years during which the parties agreed to limited tariff reductions on specific products. For some products (e.g. petroleum products) reductions were applied only within the limits of certain quotas, and for about a dozen others (e.g. certain textiles) the reduction was only 40 per cent spread over six years. In return, Spain agreed to grant tariff cuts for about 60% of its imports from the Community.

In the agricultural sector the EEC agreed to concessions on wine, citrus fruits, fresh fruit and vegetables, olive oil and certain fish.

In 1973 negotiations were opened with Spain with a view to enlarging and extending the 1970 Agreement. These negotiations reached deadlock in 1974 as the Spanish delegation insisted that the elimination of Spanish duties on EEC industrial products should be conditional on free trade for agricultural products. Talks were due to resume in late 1975.

Following executions in Spain in September 1975, the Council decided that negotiations between the Community and Spain should be suspended altogether.

Progress towards a closer relationship with Spain has been hindered in the past by a lack of democracy in that country. Since the death of General Franco, however, she has been moving towards democracy and free elections are planned for June 1977.

The Spanish are no longer interested in a free trade agreement as they are now thinking in terms of negotiations for membership. They have spoken about the possibility of applying for membership of the Community after the elections take place. Before Spanish membership of the Community can be considered, the Community will have to be satisfied that that country has adopted fully democratic institutions.

Advantages of membership

For Greece, Portugal and Spain, membership of the EEC has advantages which are both political and economic. As members of the Community, they would participate effectively in all important political decisions affecting the Community. They would also benefit from common economic policies, particularly the Common Agriculture Policy, and the abolition of trade barriers within the EEC. This aspect is important to them as all three countries have a high degree of trade dependence on the Community. They would, of course, also participate in trade arrangements made by the Community with third countries.

On the other hand, an enlarged Community, speaking with a united voice, would have greater influence in international political and economic negotiations.

Economic problems

All three countries compete with Community producers in the production of a number of agricultural products. This could lead to friction between Community producers and producers in applicant countries who are seeking to sell their products on the same market. This problem will have to be resolved in accession negotiations and in the arrangements to be made for the integration of new members.

Both Greece and Portugal have 9 million inhabitants, and Spain has a population of 35 million. Accession by these three countries would increase the economic and social diversity within the Community and widen the gap in living standards between richer and poorer Member States. Their absorption into the Community would provide a real challenge to a Community where the full consequences of enlargement in 1973 are now being felt. Apart from the effects on the agricultural policy, a drastic overhaul of the regional and social policies would have to be carried out to ensure that they are effective in an enlarged Community.

Structure of the Community

In considering the Greek application for membership, the Commission felt that any further enlargement must be accompanied by a substantial improvement in the efficiency of the Community's decision-making processes and strengthening of its common Institutions. This would most likely lead to the re-introduction of majority voting in the Council of Ministers and reduction of the number of official languages in use within the Community. At present, one employee in every three in the Commission is either an interpreter or a translator. The argument in relation to Greece applies also, of course, to accession by any other third country. If steps are not taken to improve Community Institutions and efficiency, there is a danger that it will evolve into a loose confederation of states with little real central thrust.

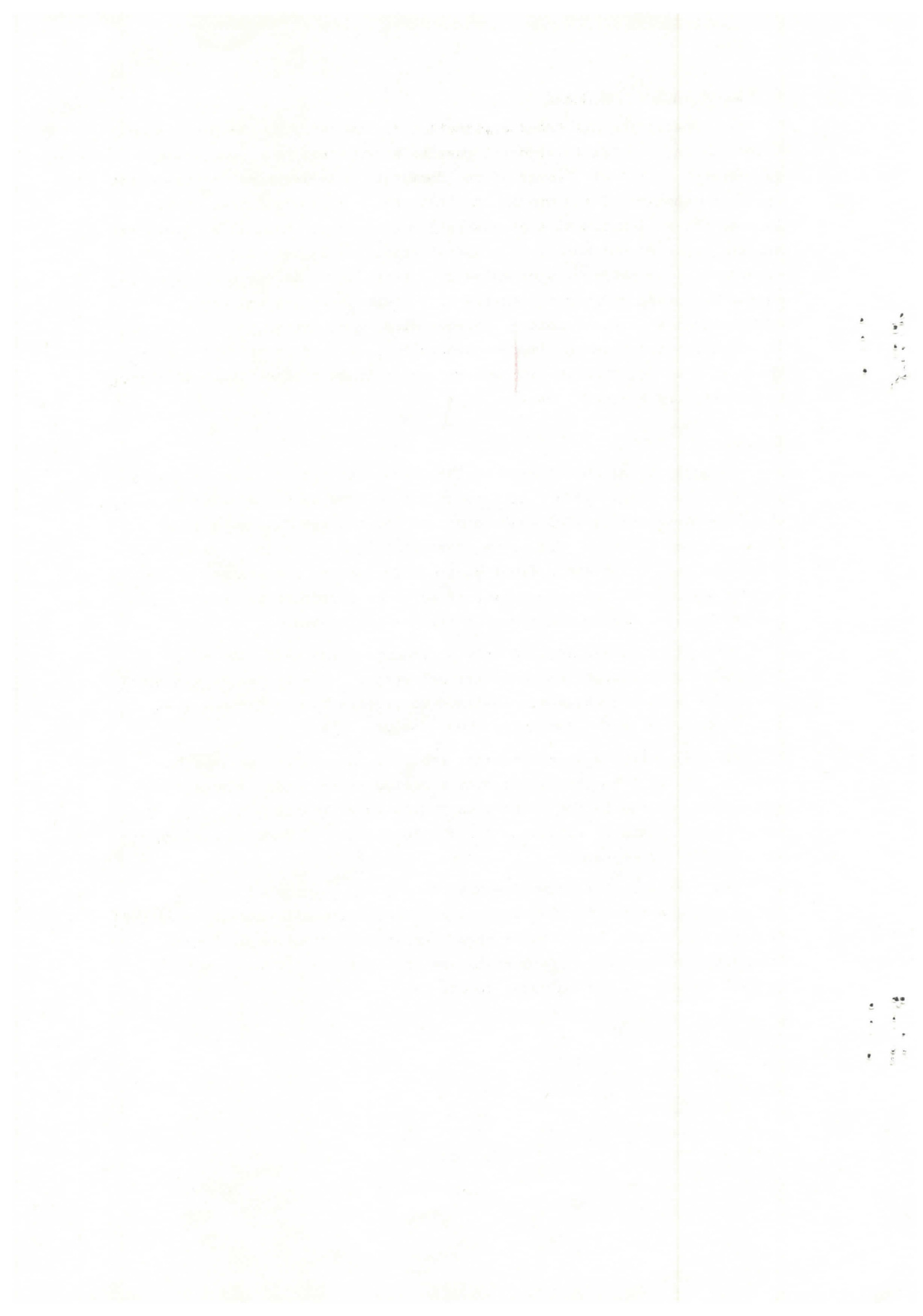
Turkey

In considering enlargement of the Community, the position of Turkey should not be overlooked. This country concluded an Association Agreement with the Community in 1963 which provided for the establishment of a customs union in three stages: a preparatory stage lasting five years, a transitional stage and a final stage. During the preparatory stage Turkey received aid of 175m. units of account to prepare her to fulfil her obligations during the transitional and final stages.

An Additional Protocol to this Agreement, which came into force on 1 January 1973, defined the transitional stage. The Protocol in general prescribes measures which are designed to prepare Turkey for possible full membership of the Community about the year 1995.

Customs duties and quantitative restrictions on Turkish imports from the EEC will be phased out over a period of 12 years in some cases; for sensitive imports the transition period is 22 years. Moreover, a period of 22 years is envisaged for the adaptation of Turkish agriculture to Community arrangements.

For its part, the Community has, in effect, eliminated customs duties and quantitative restrictions on practically all Turkish industrial products, with the exception of some textile and petroleum products. Community preferential arrangements are in operation for about 90% of Turkish exports of agricultural goods.



Turkey was granted financial aid on special terms of 195 m.u.a. during a five year period up to May 1976; this sum was increased to 242 m.u.a. after the enlargement of the Community in 1973. At present, arrangements are being made to grant aid on special terms of 310 m.u.a. to Turkey up to October 1981.

It is too soon to raise the question of Turkish membership, but it is clear that this question, when it does come, will give rise to considerable difficulties. Turkey has a population of over 40 million and has an annual income per head which is lower than that of any existing member of the Community; it is, indeed, lower than that of any of the current prospective members.

